

Person To Contact: [REDACTED]

Telephone: [REDACTED]

Refer Reply To: [REDACTED]

MAIL ROOM [REDACTED]

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code.

You were incorporated on [REDACTED] under the laws of [REDACTED]. Your purposes, as indicated within your Articles of Incorporation, are to promote the cultural, traditional, and social values of the [REDACTED] culture among your members and their families; and to maintain funds, of which the income derived therefrom and principal will be applied exclusively for charitable, scientific, literary, or educational purposes.

Your current activities include social functions; providing death, sickness, and accident benefits to your members and their families; and giving cash awards to your members' children in recognition of their achievements in school. Social functions consist of an annual fundraising dance to celebrate the [REDACTED], a picnic that is held each summer that embraces all [REDACTED] and other nationals in the [REDACTED] area, and a Christmas party. Death benefits include the payment of funeral expenses on behalf of your members and their families, and providing funds to the surviving spouses and children of your deceased members. In the event of distress, sickness, and accidents involving your members, you provide funds to assist the members affected. You award your members' children \$[REDACTED] for grades of 'B' or better received in grades 1 through 12 and \$[REDACTED] upon graduation from high school.

You plan to acquire real estate that will be used for two purposes: (1) a daycare center where children will learn the [REDACTED] dialect of [REDACTED] and (2) a cultural display/community center for your members and their children, and the community at large.

You indicated that your organization currently has [REDACTED] chapters who have formed a federation, but that none of these chapters belong to a national organization. You therefore are not an organization that is operated under the lodge system.

Section 501(c)(7) of the Code provides for the exemption from Federal income tax of clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(7)-1(a) of the Income Tax Regulations provides, in part, that exemption for organizations described in Code section 501(c)(7) applies only to clubs which are organized and operated exclusively for pleasure, recreation, and other non-profitable purposes.

Revenue Ruling 63-190, 1963-2 C.B., page 212, provides that a nonprofit organization not operated under the lodge system, which maintains a social club for its members and also provides sick and death benefits for its members and their beneficiaries, does not qualify for exemption from Federal income tax either as a social club under Code section 501(c)(7), a civic league under Code section 501(c)(4), or a fraternal beneficiary society under Code section 501(c)(8). This revenue ruling provides that the payment of sick and death benefits is not a function of a social club, and that there is no provision within the Code for income tax exemption of an organization having such a combination of functions.

Your activities are similar to the organization described within the above revenue ruling. This is so due to your not being organized under the lodge system; your conduct of social functions for your members; and your providing death, sickness, and accident benefits to your membership. In addition, your submitted information indicates that you are not organized and operated exclusively for pleasure, recreation, and other non-profitable purposes, as required by Regulations section 1.501(c)(7)-1(a). The provision of death, sickness, and accident benefits to your members; the awarding of cash to your members' children for achievements in school; and the construction of a daycare center to teach a language to children are not activities relating to pleasure and recreation. You therefore do not qualify as an organization that is exempt from Federal income tax under section 501(c)(7).

In accordance with this determination, you are a taxable organization. You are required to file Federal income tax returns on Form 1120. If you do not accept our findings, we recommend that you request a conference with a member of our Regional office conference staff. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained within the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional office or, if you request, at any mutually convenient District office. If we do not hear

[REDACTED]

from you within 30 days from the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]

[REDACTED]  
District Director

Enclosure: Publication 892